

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-20 CIAE-00 COME-00

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 5850

INFO AMEMBASSY JAKARTA

AMEMBASSY BANGKOK

AMEMBASSY LONDON

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EMIN

SUBJECT: MALAYSIAN TIN PRICE AND PRODUCTION

REF: STATE 238293

1. MALAYSIAN PRODUCTION OF TIN AT ABOUT SAME LEVEL AS LAST YEAR AT THIS TIME. MANAGER OF ONE OF LARGEST TIN COMPANIES OPERATING IN MALAYSIA IN CONVERSATION WITH EMBOFF EXPECTS NO DECREASE IN PRODUCTION THIS QUARTER OR NEXT. PRODUCERS ARE NOT WITHHOLDING PRODUCTION FROM MARKET. IN FACT FEELING SEEMS TO BE THAT PRESENT TIN PRICE UNSTABLE AND BEST STRATEGY IS TO SELL AS MUCH AS POSSIBLE WHILE PRICE IS UP.

2. RUMORS ARE ALSO CIRCULATING THAT JAPANESE BUYING VERY LARGE AMOUNTS FOR STOCKPILING BUT THERE NO CONCRETE EVIDENCE THIS IS SO. MALAYSIAN PRODUCERS STATE THERE IS CURTAILMENT OF PRODUCTION IN THAILAND

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BECAUSE OF LABOR PROBLEMS BUT EMBASSY DOES NOT KNOW

HOW ACCURATE THIS INFORMATION IS.

3. THERE IS NO PROBLEM ACQUIRING SHIPPING SPACE FOR METAL FROM MALAYSIA AND AMOUNTS SHIPPED SEEM NORMAL.

4. SAME COMPANY MANAGER ASCRIBES PRESENT TIN PRICE TO SEVERAL FACTORS, ALL OF WHICH DETERMINED BY OIL CRISIS: CONSUMERS BUYING NOW FOR FEAR LIMITED AVAILABILITY OF BUNKER COULD CURTAIL FUTURE TIN SHIPMENTS. FEAR LIMITED AVAILABILITY FUEL FOR GRAVEL PUMPS OR HIGH PRICE COULD FORCE CLOSURE SOME GRAVEL PUMP MINES OR LIMIT PRODUCTION. POSSIBILITY MUCH HIGHER DEMAND FOR TIN IF UNAVAILABLE OIL STOCK CURTAILS PRODUCTION OF PLASTICS WHICH COMPETITOR OF TIN IN PACKAGING INDUSTRY. ALUMINUM ANOTHER MAJOR COMPETITOR DEPENDENT LARGE AMOUNTS OF ELECTRICITY FOR PRODUCTION ALSO COULD BE AFFECTED BY ENERGY CRISIS.

5. THERE GENERAL DOUBT IMMEDIATE RAPID INCREASE IN TIN PRODUCTION LIKELY. NEW GRAVEL PUMP OPERATIONS COULD COME ON STREAM FAIRLY QUICKLY BUT OWNER/OPERATORS SEEM FEAR THAT CURRENT PRICE WILL NOT HOLD AND THEY SEEM UNWILLING MAKE COMMITMENT TO LARGE CAPITAL EXPENDITURE, ESPECIALLY WHEN IT POSSIBLE SUCH OPERATIONS WOULD HAVE FUEL AVAILABILITY/COST PROBLEMS. NEW DREDGE OPERATIONS NEED ABOUT TWO AND HALF YEARS LEAD TIME AND SO NOT APPLICABLE FOR SHORT RANGE CONSIDERATION.
CHESLAW

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